

## **Home report consultation A response by the BSA**

### **About the Building Societies Association**

1. The Building Societies Association (BSA) represents mutual lenders and deposit takers in the UK including all 45 UK building societies. Mutual lenders and deposit takers have total assets of over £330 billion and, together with their subsidiaries, hold residential mortgages of over £230 billion, 18% of the total outstanding in the UK. They hold over £230 billion of retail deposits, accounting for 19% of all such deposits in the UK. Mutual deposit takers account for over 30% of cash ISA balances. They employ approximately 39,000 full and part-time staff and operate through approximately 1,600 branches.

### **Key points**

2. The Home Report appears to be working adequately for consumers, lenders and other property professionals. There are some improvements which could be made to improve the consumer experience, in particular consumers should be able to take complaints on any of the Home Report documents to an Ombudsman.

### **Responses to consultation questions**

#### **Section 1**

#### **Do you think the Home Report is meeting its original objectives?**

3. The Home Report has broadly met its original objectives.
4. The objective to improve information about property condition and therefore provide an incentive for repair or maintenance works to be carried out has been partially met, in that the Single Survey generally provides adequate information about the condition of the property. In most cases though, the availability of this information has not led to sellers proactively carrying out repairs or improvement works, however where significant work is needed it does allow purchasers to budget and plan for this.
5. The objective to address the problem of buyers paying for multiple valuations and surveys which was prevalent in “market hotspots” has been met in the majority of cases, albeit in a slower property market than that for which the Home Report was designed.
6. The practice of setting artificially low asking prices was more prevalent in a “sellers’ market” in order to create a bidding war amongst a large number of potential purchasers. The “offers over” system has now been largely replaced by “offers around” or “offers in the region of” although “fixed price” is still used in some instances. The move away from “offers over” has in part come from the introduction of the Home Report, but is largely to do with the change in market conditions. It is difficult to know whether the move away from artificially low prices would still have occurred with either a slowing property market or with the introduction of the home report in isolation, however this practice does seem to have largely died out.

#### **Are the original Home Report objectives still appropriate?**

7. The conditions in the housing market are significantly different now than when the Home Report was introduced so the Scottish Government should consider setting new

objectives for the Home Report. A wider objective to facilitate the transfer of Scottish property in a transparent and timely manner would be appropriate in different market conditions and would allow the Home Report to be assessed and improved on a wider basis than the narrowly defined current objectives.

**Should the Home Report play a more central role in promoting energy efficiency and property condition improvements among home owners?**

8. Whilst improving the energy efficiency of our housing stock is an important objective, we believe that the Home Report has gone as far as it can and should in this area. The Home Report provides reasonably accurate information on the energy efficiency and environmental impact of a property which should be sufficient information for the consumer to base their home-buying decision. More should be done to improve the energy efficiency of our homes, however other incentives and schemes are and will continue to be available to do this.

9. There is a question surrounding whether those putting their property on the market should be encouraged to make improvements to the condition of their home, or whether this ought to be left to the purchaser. One way to encourage sellers to make condition improvements to their home could be to create a standardised 'refresher survey' which would allow a surveyor to comment on specific improvements made since the original report was produced. This refresher survey could be commissioned at a reduced price to a full Single Survey by a seller who wanted to demonstrate that condition improvements had been made. If the improvements to the condition of the home is to be left to the incoming purchaser, we believe that the Home Report already plays a role in providing appropriate information but shouldn't be used further.

**Should a national register of Home Reports be established?**

10. Energy Performance Certificates are already lodged in a central register and we believe that it is not appropriate for further information to be centrally lodged. The maintenance and use of a central register adds cost and complexity to the EPC process and it would be difficult and expensive to implement for the entire Home Report for little tangible benefit. A great deal of information is contained within the Home Report and a central register could be considered too intrusive by home buyers and might present risks to security and confidentiality.

**Section 2**

**Do you think the upfront cost of Home Reports is preventing potential sellers from putting their property on the market?**

11. Taken as part of the home-moving process, the cost of a Home Report is relatively small, so is unlikely to outright prevent a consumer from selling their home. The greater possibility though, is that the perceived inconvenience of obtaining a Home Report, might deter those who would otherwise be inclined to put their home on the market. We know that a number of consumers put their home on the market on a speculative basis, to 'see what happens' and it is these consumers who could be put off marketing their home by barriers to entry such as the Home Report.

**Are there any issues with the majority of Home Reports being commissioned through selling agents?**

12. We do not believe this to be a problem.

**Should other organisations be allowed to carry out the Single Survey (including valuation) and/or the Energy Report?**

13. At present, there is no other suitable regulatory structure governing the production of surveys and valuations than that provided by the RICS. We do not believe that there are other organisations that could authorise the production of surveys which would be sufficiently robust to satisfy mortgage lenders. With regards to the Energy Report, there are a number of organisations that authorise and regulate the production of EPCs, and providing suitable redress was put in place, we believe that these individuals should be permitted to produce the Energy Report as part of the Home Report.

**In your experience is the requirement for a Home Report before marketing a property leading to delays in properties coming onto the market?**

14. In some cases delays have been caused to a property coming to market, but this is not currently a significant problem. However, given the market is fairly slow at present it is difficult to determine how much of a problem this will be in a rising market – and to what extent the disadvantages of delays will be outweighed by the benefits of having the information contained within the Home Report available at the outset. We recommend that this point should be kept under review.

**Are Home Reports a useful marketing tool for sellers?**

15. A certain balance must be struck between allowing the Home Report to be used as a marketing tool for sellers and it being viewed as an independent source of information by purchasers. We believe that the Home Report should be an impartial presentation of the facts, and the marketing be left to selling agents.

**Are there any issues with potential buyers accessing Home Reports?**

16. We are not aware of any problems with potential buyers accessing Home Reports and certainly nothing to the extent that would warrant their electronic publication on a central database.

**What are your views on mortgage lenders' acceptance of Home Report valuations?**

17. Lenders will typically accept the valuation in the Home Report providing it has been recently produced and has been completed by a valuer who is a member of their panel. The length of time for which the valuation remains valid does vary from lender to lender who reserve the right to alter this based on market conditions, for example in a falling market the valuation may quickly become out-of-date or may change to such an extent that it has an impact on the loan to value of the mortgage being advanced.

18. Whilst the valuation does not guarantee mortgage finance and in some instances further reports may be requested, in the majority of cases a mortgage can be advanced upon the valuation in the Home Report.

**Are the redress options available to buyers reasonable and appropriate?**

19. The redress options for the Single Survey and Energy Report via Ombudsman Services: Property appears to be working well. There is a gap in redress provision relating to the valuation aspect of the Home Report and we believe that this ought to be brought into the scope of the redress scheme.

20. With regards to the Property Questionnaire, the standard method of redress would be via the solicitor, however we believe that an independent redress mechanism should also be in place to deal with complaints in this area.

**Do the exceptions need to be amended?**

21. At present, the Home Report must be provided for the majority of property sales and we believe that the permitted exceptions are appropriate.

### **Section 3**

#### **Does the single survey element of the Home Report provide an appropriate and useful level of information?**

22. For the majority of properties, the single survey provides an appropriate level of information and is a vast improvement from the large number of consumers who did not commission any survey on the property which they intended to purchase prior to the Home Report being brought in. There are properties for which the single survey element of the Home Report might not be appropriate, particularly historic or unusual properties, which ought to have a more detailed survey. In these instances though, the single survey provides a useful starting point, and consumers should be made aware that further investigation is needed.

#### **Should the repairs categories in the Single Survey be amended to make them consistent with the categories used in the Scottish House Condition Survey?**

23. Although we can see that it might be desirable from a data-collection and statistical perspective to bring the categories within the Single Survey into line with the Scottish House Condition Survey, the categories are easily understood by consumers who should be the primary concern in this exercise. We would recommend retaining the current categories on urgency of repairs as these are well-suited to interpretation by home-buyers.

#### **Is the valuation element of the Single Survey a useful element of the Home Report?**

24. The valuation is an essential part of the Home Report and should be retained within the document.

#### **Is the information provided in the Energy Report appropriate and useful?**

25. It is difficult to make changes to the Energy Report information, as it is prescribed within the Energy Performance of Buildings Directive. However, within the constraints of the directive the information provided is as useful as can be managed.

#### **Should an additional question on land maintenance fees be added to the Property Questionnaire?**

26. In the interests of completeness, it would be useful to include a question on land maintenance fees within the Property Questionnaire.

#### **Further information and contact**

27. This response has been prepared in consultation with BSA members. If you would like and further information, or would like to discuss any of the above points further, please contact [colette.best@bsa.org.uk](mailto:colette.best@bsa.org.uk).